

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION FOR CERTIFICATE OF)	
CONVENIENCE AND NECESSITY AND)	
AUTHORITY TO ISSUE NOTE BY AUXIER)	CASE NO. 9997
WATER COMPANY, INC.)	

O R D E R

Auxier Water Company, Inc., ("Auxier") by application filed August 11, 1987, is seeking a certificate of public convenience and necessity for a \$98,035 waterworks improvements project, and approval of its plan of financing composed of a \$75,000 U.S. Small Business Administration ("SBA") loan, \$4,935 from utility operating income and \$18,100 from applicants for water service.

Upon completion of the proposed construction, water service will be initiated to 42 applicants of record in this matter who are located in southeastern Johnson County, Kentucky, along KY 302, Hayden Branch Road and Flatwood Branch Road.

The construction plans and specifications prepared by Bocook Engineering, Inc., of Paintsville, Kentucky, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

COST SHARING AGREEMENT

The proposed cost sharing agreement between Auxier and the 42 applicants of record differs from the cost sharing agreements established by 807 KAR 5:006, Section 12(2). Agreements

differing from this standard are permitted by 807 KAR 5:066, Section 12(4), provided the Commission approves.

The proposed cost sharing agreement is more advantageous to the applicants than the standard agreement. Under it, the cost per applicant is \$431 with no refund. The standard agreement under 807 KAR 5:066, Section 12(2), would set each applicant's share of cost at \$2,028, would require Auxier to refund the cost of 50 feet of the extension for each new customer it connected to the extension and would set 10 years as the refund period. The refund to each of the 42 applicants of record would equal 50/42 feet of extension (about \$7.29) for each new customer. An improbable number of 219 customer additions would be needed to reduce a \$2,028 contribution to \$431 [$\$2,028 - (219 \times \$7.29) = \$431$]. The position of the 42 applicants is much better under the agreement proposed herein than it would be under a subsection (2) agreement.

FINDINGS AND ORDERS

The Commission, after consideration of the application and evidence of record, and being advised, is of the opinion and finds that:

1. Public convenience and necessity require that the construction proposed in the application be performed and that a certificate of public convenience and necessity be granted.

2. The proposed project includes the construction of about 16,000 feet of distribution system pipeline (12,000 feet of 6-inch, 2,000 feet of 4-inch, and 2,000 feet of 3-inch), road crossings, stream crossings, gate valves, and other appurtenances.

3. The Engineer's Final Estimate for the work proposed by Auxier totaled \$98,035. The funding required for this work will be approximately \$98,035 including engineering design fees, legal fees, resident inspection, interest during construction, and construction contingencies. The \$98,035 financing for Auxier's construction should, therefore, be adequate for its completion. Auxier's employees will perform the proposed construction work.

4. Any deviations from the construction herein approved which could adversely affect service to any customer should be done only with the prior approval of this Commission.

5. Auxier should furnish duly verified documentation of the total costs of this construction including all capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Said costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by this Commission.

6. Auxier's contract with its Engineer should require full-time resident inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering to insure that Auxier's construction work is done in accordance with the plans of record herein and in conformance with the best practices of the construction trades required for this project.

7. Auxier should require the Engineer to furnish a copy of the "as-built" drawings and a signed statement that the construction has been satisfactorily completed in accordance with the

contract plans and specifications within 60 days of the date of substantial completion of construction.

8. A 5/8-inch x 3/4-inch meter should be the standard customer service meter for all new customers and should be installed at all points of service unless the customer provides sufficient justification for the installation of a larger meter.

9. The \$75,000 SBA loan secured by Auxier is for lawful objects within its corporate purposes, is necessary and appropriate for and consistent with the proper performance of its services to the public and will not impair its ability to perform these services, is reasonably necessary and appropriate for such purposes, and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Auxier be and it hereby is granted a certificate of public convenience and necessity to proceed with the proposed construction as set forth in its application.

2. The cost sharing agreement between Auxier and the applicants of record be and it hereby is approved. Auxier is authorized to require each applicant of record to make a contribution in aid of construction of \$431 for the construction approved herein.

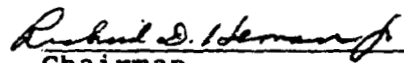
3. Auxier's plan of financing, consisting of applicant contributions in the amount of \$18,100, \$4,935 from operating income and a loan from the SBA in the amount of \$75,000 with an interest rate of 8 1/8 percent and a 15-year term, be and it hereby is approved. The proceeds of the SBA loan shall be used only for the purposes stated in Auxier's application.

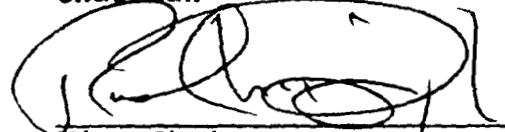
4. Auxier shall comply with all matters set out in Findings 4 through 8 as if the same were individually so ordered.

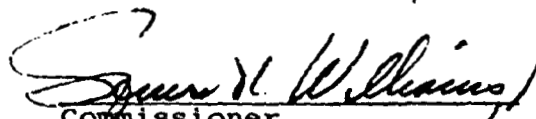
Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 25th day of September, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director